

DEPARTMENT OF THE ARMY  
U.S. Army Engineer District, Rock Island  
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CENCR-RM  
Memorandum  
No. 11-1-2

25 March 1992

Army Program  
INTERNAL CONTROL PLAN

1. Purpose. This memorandum provides policy and guidance about the Internal Management Control System Program (IMC), at the Corps of Engineers, North Central Rock Island (CENCR), and sets forth local guidance and individual responsibilities for conducting an effective local program of Internal Management Controls.

2. Applicability. This plan is applicable to all designated organizational elements of CENCR.

3. References.

a. AR 11-2

b. OMB Circular A-123

4. Responsibilities.

a. The Commander, CENCR, will:

(1) Implement the IMC Program in accordance with AR 11-2.

(2) Appoint the Internal Control Administrator (ICA).

(3) Sign the annual assurance statement.

b. The Office of Resource Management, Management Analysis Branch (CENCR-RM-M), is designated as the office of record, and is responsible for the IMC Program Administration, which includes:

(1) Monitoring compliance with program guidelines.

(2) Providing or arranging for necessary training for the designated organization's managers and Internal

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This memorandum supersedes CENCR Memorandum 11-1-2, dated 11 Oct 87.

Control Liaison Coordinators (ICLCs). (See paragraph 4c 1.)

(3) Monitoring completion of Internal Management Control Review Checklists.

(4) Preparing the Annual Assurance Statement (Status of Internal Control Systems) for the Commander, after receiving supporting statements from each Division/ Separate Office Chief.

(5) Providing guidance to District Managers and ICLCs.

(6) Providing periodic updates to the Commander about uncorrected Internal Management Control Weaknesses electronic means.

c. Division/Separate Office Chiefs will:

(1) Appoint an ICLC for their functional area to monitor, coordinate, and perform Internal Control functions.

(2) Review and sign each completed Internal Control Checklist as the reviewing official, and ensure that each completed checklist is signed in accordance with supervisory review procedures and AR 11-2, Para 3-8 c.

(3) Prepare the Memorandum of Written Assurance for their division/separate office. (See Appendix D.)

(4) Maintain an inventory of systemic weaknesses identified by audit/inspection reports, risk assessments or other means, and provide the District Commander and Program Administrator (CENCR-RM-M) with a written summary that describes these weaknesses or proposes corrective actions, and sets a corrective action completion date. These reports will be made on an Internal Control Weakness Report (NCR Form 494), and numbered in sequence with the office symbol and current Fiscal Year (FY) prefix, for example RM-91-1, RM-91-2. A separate report will be completed for each recognized weakness.

(5) Ensure that Internal Control weaknesses are corrected within 120 days after detection, or provide the administrator a milestone correction schedule. (NCR Form 494.) The Internal Control Weakness Report will be updated as required. A status report of corrective action will be submitted to the administrator, CENCR-RM-M, Attention Internal Control Administrator, every 30 days until all corrective actions are completed. Negative reports are required.

(6) Include Internal Control performance standards in Performance Plans/Officer Efficiency Reports (OERs) for all Division/Separate Office Chiefs who control, use, or authorize the use of Government assets.

(7) Use existing quality assurance checklists, locally produced checklists, and checklists provided by Department of the Army to assure that IMC objectives are met.

(8) Inform managers within their functional area of their responsibilities to implement IMC policies and procedures as outlined in AR 11-2.

d. The ICLCs, within Division/Separate Offices, will implement the IMC Program as directed by the Commander. An expanded, but not all inclusive, list of ICLC duties is provided at Appendix B.

#### 5. CENCR Program Goals and Standards.

a. Goals. The program is designed to aid the manager in the review of functions to ensure that:

- (1) Applicable laws, regulations, and policies are followed.
- (2) Activities are conducted in accordance with authorizations.
- (3) Resources are safeguarded from unauthorized use or disposition.
- (4) Financial, statistical, and management records/reports are reliable and accurate.

b. Functional Element Approach. The IMC will be implemented using the Functional Element approach. This means that:

(1) To assist the Commander and the ICA in managing the IMC program, the Functional Element Approach requires identifying segments and assessable units within the district.

(a) A segment is defined as a Division or Separate Office. Segments are further broken down into assessable units.

(b) An assessable unit is the lowest identifiable unit within a segment, or, therefore, a branch or section. Divisions or Separate Offices that do not have branches or sections are considered assessable units as well as segments.

(c) An assessable unit manager is considered to be the chief of that unit.

(d) Assessable unit managers directly oversee the effectiveness of the IMC program for their unit, and have the authority to effect any needed change or improvement to the management controls within their unit as approved by the Division/Separate Office Chief.

(2) The assessable unit manager is responsible for functions assigned primarily to that unit, even if part of a function is performed within another assessable unit. Thus, the ICA will provide checklists only to the assessable unit primarily responsible for that specific function. This will eliminate needless repetition, yet provide assurance that all areas are covered. The assessable unit manager receiving a checklist must assure that all controls are in place in all areas where a function is performed.

(3) The following are examples of the types of audits/inspections which can be used to help implement the IMC Program and prepare working papers and reports. These audits and inspections do not take the place of the program. The corrective actions taken by management can be the foundation for IMC program execution. These examples are:

(a) Audit. Audits by the General Accounting Office, the Engineer Inspector General, or the U.S. Army Audit Agency often have as their purpose a review of a function or operation to identify and correct Internal Control weaknesses. Very rarely will audits not examine Internal Controls.

(b) Internal Review. An internal review conducted by the Division/District auditors usually includes an evaluation of Internal Controls.

(c) Command and Inspector General Inspections. In many instances, inspections of certain functional areas involve a detailed examination of Internal Controls.

(d) Management Analysis Studies and Contractor Reviews. A management study - performed by an activity, a headquarters' staff, or a contractor - will examine and test Management or Technical Controls in a function.

(e) Functional Inspections. Inspections by immediate supervisors in functional areas can be used by that element for reviewing, analyzing, and testing Internal Controls. Examples are: Annual supply inspections, inspections of maintenance facilities, and inspections of occupational safety and health matters. These compliance inspections should include a review of Internal Controls.

(f) Standards of Internal Control. Applicable Internal Control standards have been published in AR 11-2, Section 111.

FOR THE COMMANDER:

LARRY E. JONES  
Executive Assistant

APPENDIX:

- A - Role of the District Internal Control Administrator
- B - Internal Control Liaison Coordinators
- C - Implementation of the CENCR Internal Control Plan
- D. Memorandum of Written Assurance
- E. Internal Control Weakness Report

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## APPENDIX A

### ROLE OF THE DISTRICT INTERNAL CONTROL ADMINISTRATOR

1. The key to the IMC Program is the administrator. The IMC administrator is the Commander's representative for all IMC issues. The IMC administrator provides guidance, definition, and insight as to what the IMC program means to district managers and employees.
2. ICA duties include, but are not limited to:
  - a. Developing the needed policy or guidance for the district so that procedural portions of the IMC can be executed quickly and effectively.
  - b. Evaluating and disseminating pertinent information about the IMC to the correct functional area.
  - c. Providing training and guidance to district personnel about Internal Control policy.
  - d. Ensuring that ICLCs are appointed within every CENCR segment.
  - e. Collecting data on Internal Control initiatives and issues and consolidating the information for use in the "Commander's Annual Assurance Statement."
  - f. Being responsible for ensuring that managers are aware of the importance of strong Internal Controls.
  - g. Establishing CENCR policy concerning the completion of IMC checklists. Checklist completion and documentation will be in accordance with AR 11-2, para 3-8. Each completed checklist will be reviewed and signed as detailed in AR 11-2, para 3-8 c.
  - h. Maintaining an inventory of segmented units and a schedule of checklists and when they are to be completed.
  - i. Establishing policy concerning documentation of all corrective actions and milestone dates for completing actions to correct weaknesses. Unit managers will utilize electronic mail to provide the status of uncorrected weaknesses NLT the 15th of each month. (See Internal Control Weakness Report, Appendix E.)
  - j. Establishing communication links across the district. Establishing lines of delegation, taskings, and responsibilities.

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k. Providing training to District managers, ICLCs, and other employees as requirements develop. This includes providing ICLC procedural training. The network must understand all levels of process and responsibility in order to enhance program performance and ensure execution.

l. Working with ICLCs and functional experts who report a weakness, and developing a plan of action to correct that weakness.

m. Developing a plan to evaluate the efforts of others to implement and operate the IMC program.

## APPENDIX B

### INTERNAL CONTROL LIAISON COORDINATORS

1. The Division/Separate Office Chief will appoint an ICLC for their Division/Separate Office. ICLC duties are intended as other duties as assigned. These personnel will assist managers in evaluating present controls and establishment of additional controls as necessary. The ICLC's program is designed to enable each manager to state with reasonable assurance that assets are safeguarded and used in a cost efficient/effective manner. ICLCs will assist managers to:

- a. Establish organizational guidance and policy.
- b. Bring standardization to the IMC program.
- c. Help familiarize personnel with the IMC Program and their responsibilities.
- d. Understand how to establish, maintain, evaluate, and report on the district IMC.

2. A partial, but not all inclusive list of an ICLC's duties is to:

a. As the single point of contact, work and communicate effectively with the ICA. This will allow for fast and accurate dissemination of information of IMC issues from the field to the Commander.

b. Function as the internal control advisor to the Division/Separate Office Chief.

c. Provide IMC expertise at each organizational level. ICLCs will be familiar with Division/Separate Office policies, as well as problems. ICLCs will have the knowledge and skills to help operating managers execute their IMC responsibilities.

d. Facilitate idea exchange by establishing communication links across the organization.

e. Monitor the progress of checklist completion or development.

f. Monitor the correction of any material weakness identified through audit, inspection, or use of the checklist.



g. Evaluate control systems, identify and report a weakness, and establish and monitor corrective action plans within their organization.

3. The District ICA will provide training and text materials to assist ICLCs in becoming knowledgeable in the following Internal Control Program areas:

- a. Statutory Requirements Per AR 11-2.
- b. Army Internal Control Program.
- c. Corrective Action Procedures.
- d. Assurance Statements.
- e. Documentation of Checklist Responses.
- f. Application of Checklists.
- g. Material Weakness.
- h. Testing Internal Controls in Question.

## APPENDIX C

### IMPLEMENTATION OF THE CENCR INTERNAL CONTROL PLAN

1. Resources are our most important asset. The policies and procedures employed to utilize them should be under constant evaluation. The goals of the IMC are to improve present controls and/or eliminate controls that are not cost efficient or needed. The ongoing evaluation of all policies and procedures is the heart of the IMC. All regulations pertinent to a function should be reviewed by the responsible manager. Internal Controls not presently in place should be justified, or those Internal Controls should be implemented immediately.
2. Internal Control files should be established, using the attached Internal Control Review Checklist format, question 3a, as a guide. CENCR Internal Control files should be established throughout CENCR in accordance with the Modern Army Recordkeeping System (MARKS) (AR 25-400). As a minimum, files will be established at the Division/Separate Office level. All files will be filed under MARKS number 11-2a.
3. Copies of Examples of Internal Control Techniques and an Internal Control Review Checklist, Internal Control Systems, are provided to assist managers in the implementation of the Internal Management Control Systems Program.
4. Internal Control techniques are the mechanisms by which Internal Control objectives are achieved. The control techniques listed below are general and represent only a few examples.

- Adequate Supervision
- Annual Budget Review
- Annual Property Inventory
- Budget Estimates
- Budget Justifications
- Contingency Plans
- Control of Documentation
- Data Standards
- Economic Analysis
- Equipment Modernization Program
- Implementation Plans
- Management Information Systems
- Midyear Review
- Multiyear Plans
- Operational Plans
- Organizational Charts
- Performance Standards

Periodic Financial Reports  
Personnel Evaluations  
Position Descriptions  
Preventive Maintenance  
Program Review and Budget Execution  
Proper Authorizations  
Proper Coordination  
Property Control System  
Quality Control Procedures  
Regulatory Requirements  
Command Management Review  
Separation of Essential Duties  
Standard Operating Procedures  
Surprise Cash Counts  
Training Programs  
Use of Cash Register Tapes  
Use of Prenumbered Forms  
Use of Receipts  
Use of Standardized Forms  
Year End Closeout

5. This Internal Control Review Checklist will be completed by unit managers and reviewed by each Division/Separate Office Chief each FY.

## INTERNAL CONTROL REVIEW CHECKLIST

TASK: Financial Management

SUBTASK: Internal Control

THIS CHECKLIST: Internal Control Systems

ORGANIZATION:

ACTION OFFICER:

REVIEWER:

DATE COMPLETED:

EVENT CYCLE 1: Internal Control Program Administration

STEP #1: Organize the internal control program.

RISK:

1. Responsibility to do the work will not be assigned.
2. Program objectives will not be achieved.
3. Internal Control procedures will not be understood.

CONTROL OBJECTIVES:

1. Specifically assign IMC responsibility
2. Establish program objectives and procedures in writing.
3. Establish Internal Control working files.

CONTROL TECHNIQUE:

1. Train personnel.
2. Establish responsibilities.
3. Establish Internal Control files.

Explain the rationale for a YES or NO response, and provide cross-reference for the rationale. For each NO response, provide a cross-reference where corrective action plans can be found. If the response is not applicable (NA), explain why it is NA.

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## TEST QUESTIONS

1. Have ICLCs been appointed by formal orders?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

1. ICLCs

a. Have ICLCs received formal training?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

b. Are ICLCs aware of their duties as outlined in CENCR Memo 11-1-2, Appendix C, Internal Control Plan?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

2. Are managers aware of their responsibilities established by the IMC?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

a. Have supplemental objectives and procedures been established in writing?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

b. Have managers been briefed about the Internal Control objectives and the procedures required to achieve the stated objectives?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

c. Are you (the manager) and your subordinates aware of your responsibilities under the Internal Control Program? (P.L. 97-255, Office of OMB Management and Budget (OMB) Circular A-123, AR 11-2, CENCR Memo 11-1-2)

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

3. Do you (the manager) have a file containing Internal Control documents, or know where they are listed?

YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

REMARKS:

a. Does that Internal Control file currently have the following items?

REMARKS:

(1) Regulations:

(a) AR 11-2. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(b) OMB Circular A-123. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(c) CENCR Memo 11-1-2 YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(2) ICLC's Appointment Orders. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(3) List of ICLC's duties and responsibilities. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(4) Training files for each ICLC and manager with Internal Control responsibilities? YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(5) Job descriptions for all personnel with Internal Control responsibilities detailed in their Performance Standards? YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(6) Copies of internal SOPs or other written guidelines covering internal control aspects of your operation. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(7) Copy of your office's Annual Assurance statement to the Commander, CENCR. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(8) Audit, inspection, or other external review reports which have been completed on your organization. Reports should be maintained under MARKS file number 11-2a. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(9) Copies of checklists that are used by your organization on a continual basis. Checklists may be existing quality assurance checklists, locally produced checklists, Department of the Army, or any other checklist used by your organization. YES\_\_\_\_NO\_\_\_\_NA\_\_\_\_

(10) Copies of checklists completed

by your organization? Checklists  
should be maintained under MARKS  
file number 11-2a.

YES\_\_\_\_\_NO\_\_\_\_\_NA\_\_\_\_\_

I attest that the above-listed internal controls provide reasonable assurance that federal and non-federal (where applicable) resources are adequately safeguarded. I am satisfied that the above controls are fully operational.

I have reviewed this subtask within my organization and have supplemented the prescribed Internal Control Review Checklist when warranted by unique functional circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization, except for the weakness described in the attached plan, which includes schedules for correcting the weakness.

\_\_\_\_\_  
SIGNATURE BLOCK OF THE PERSON  
COMPLETING THE CHECKLIST

\_\_\_\_\_  
DATE

\_\_\_\_\_  
EXTENSION

\_\_\_\_\_  
SIGNATURE BLOCK OF THE  
BRANCH MANAGER

\_\_\_\_\_  
DATE

\_\_\_\_\_  
EXTENSION

\_\_\_\_\_  
SIGNATURE BLOCK OF THE  
DIVISION/SEPARATE OFFICE  
CHIEF

\_\_\_\_\_  
DATE

\_\_\_\_\_  
EXTENSION

## APPENDIX D

### MEMORANDUM OF WRITTEN ASSURANCE

This is a sample of the Memorandum of Written Assurance to the Commander from the Chief of each Division/Separate Office. It will be submitted at least annually upon the Commander's request. Managers should add or delete items as necessary. The Chief, Division/Separate Office, must sign the letter. Signature authority may not be delegated. Documents supporting the continual evaluation of the system of Internal Controls, along with the signed copy of the assurance statement from the Chief of each Division/Separate Office, will be used by the Commander as supporting documents for the annual assurance letter to the Division Commander.

Use the Memorandum format as designated in Preparing and Managing Correspondence, AR 25-50, Chapter 2.

The suggested text is:

1. The internal accounting and administrative control system within my organization provides reasonable assurance that:
  - a. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
  - b. Obligations processed and costs incurred comply with applicable law.
  - c. Revenues and expenditures applicable to my operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports, and to maintain the accountability of assets.
  - d. Programs and administrative functions are efficiently and effectively carried out in accordance with applicable law and management policy.
2. My determination is based on methods I believe to be necessary to evaluate the adequacy of internal controls, and to decide if they are in place and operating. These methods include the application of all specifically required Internal Control Review Checklists to my department and:
  - a. Other internal control reviews of subtasks determined to be highly vulnerable.
  - b. Consideration of audit, inspection, and other independent review reports.



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- c. Assurances by managers of subordinate organizations.
- d. Assignment of specific responsibility to military and civilian managers of internal controls.

(Add or delete items as appropriate.)

The application of checklists and other methods of evaluation to my department has not detected any material weaknesses except those included in this report. These weaknesses have been or are being corrected. I have reviewed these weaknesses, and am satisfied that actions taken or scheduled are sufficient to correct the deficiencies within a reasonable period of time.

- 3. Enclosures include details about material weaknesses currently and previously detected.

DELETE para 3 if no material weaknesses were discovered.

Signature Block  
Division/Office Chiefs

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